

Central Vermont Medical Center

Fiscal Year 2016 budget analysis

Report Date:

8/11/2015

Central Vermont Medical Center

Judy Tarr - CEO

Cheyenne Holland - CFO

Summary Budget to Budget Increase

The 2016 budget shows a 4.7% increase over the 2015 budget. The increase over 3% is due to physician practice transfers that occurred during FY 2015 and health care investments.

Utilization is projected to be 8.1% higher and they have added 56 new FTEs to support the added business. The productivity measures are improving slightly. They have also added 6.6 physicians transferred in during 2015.

The operating surplus is budgeted at 2.9% of net revenues; this is the same level as the operating margin in 2015. The balance sheet is in a very good position. The latest financial projections for 2015 show a higher NPR (physician transfers) and the operating surplus a little under budget.

The commercial cost shift is smaller by \$172 thousand. While the Medicare cost shift increased, it was offset by Medicaid and improved bad debt and free care.

Issues to Address at the Hearing

Describe the reasons for the large shifts being seen from commercial and self pay patients to Medicaid.

Discuss the improving trends being seen in bad debt and free care the last few years.

Describe the utilization increases and the 56 FTEs to support the increase.

Describe the effects of the Nursing Home on revenue and utilization measures.

	2014A	2015B	2015P	2016B	B15-B16 Change	B15-B16 % Change
Net Patient Care Revenue	\$ 161,353,760	\$ 166,221,844	\$ 171,170,293	\$ 173,996,286	\$ 7,774,442	4.7%
Other Operating Revenue	\$ 10,818,672	\$ 11,186,949	\$ 11,165,343	\$ 11,630,699	\$ 443,750	4.0%
Total Operating Revenue	\$ 172,172,432	\$ 177,408,793	\$ 182,335,636	\$ 185,626,985	\$ 8,218,192	4.6%
Total Expenses	\$ 167,297,972	\$ 172,223,604	\$ 177,638,022	\$ 180,331,539	\$ 8,107,935	4.7%
Net Operating Surplus	\$ 4,874,460	\$ 5,185,189	\$ 4,697,614	\$ 5,295,446	\$ 110,257	2.1%
Operating Margin %	2.8%	2.9%	2.6%	2.9%	-0.1%	

Central Vermont Medical Center

Key Indicators	Actual 2013	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Actual 2014-Budget 2015	Budget 2015-Budget 2016
Utilization							
Acute Care Ave Daily Census	43.6	47.3	45.7	50.9	48.4	-1.6	2.7
Total Average Daily Census	180	179	186	175	186	7	-0.3
Acute Average Length of Stay	4.8	4.9	4.9	4.9	4.8	0.0	-0.1
Acute Admissions	3,323	3,495	3,407	3,754	3,680	-88	273.0
Total Beds (Staffed)	249	241	241	241	241	0	0.0
Adjusted Admissions	15,231	15,092	15,316	15,417	16,553	224	1,237.2
Adjusted Days	72,872	74,609	75,000	76,239	79,687	391	4,687.4
Capital							
Age of Plant	8.4	9.0	10.0	9.7	10.4	1.0	0.3
Long Term Debt to Capitalization	21.2%	18.5%	17.3%	16.8%	15.5%	-1.1%	-1.8%
Capital Expenditures to Depreciation	71.5%	60.7%	111.9%	107.8%	131.0%	51.2%	19.1%
Debt per Staffed Bed	261,486	283,476	313,815	284,549	304,275	30,339	-9,541
Net Prop, Plant & Equip per Staffed Bed	282,557	290,750	309,295	309,295	322,049	18,545	12,753
Debt Service Coverage Ratio	2.0	4.1	3.8	4.2	4.6	-0.3	0.7
Revenue							
Deduction %	44.6%	46.4%	48.4%	47.9%	50.2%	2.0%	1.7%
Bad Debt % of Gross Revenue	1.7%	2.0%	2.0%	1.4%	1.8%	0.0%	-0.2%
Free Care % of Gross Revenue	1.5%	0.9%	1.3%	1.2%	1.1%	0.4%	-0.2%
Operating Margin %	0.5%	2.8%	2.9%	2.6%	2.9%	0.1%	-0.1%
Total Margin %	1.4%	4.9%	3.7%	3.7%	3.8%	-1.2%	0.1%
All Net Patient Revenue % of Gross Rev	54.7%	52.9%	50.9%	51.1%	49.0%	-2.0%	-2.0%
Medicare Net Patient Revenue % of Gross Rev (incl Phys)	46.0%	44.0%	42.7%	43.4%	41.4%	-1.3%	-1.3%
Medicaid Net Patient Revenue % of Gross Rev (incl Phys)	46.4%	45.3%	42.8%	43.4%	41.3%	-2.4%	-1.5%
Comm/self pay Net Patient Revenue % of Gross Rev (incl Phys)	66.6%	66.2%	62.7%	63.3%	60.9%	-3.4%	-1.8%
Productivity							
Adjusted Admissions Per FTE	14.4	14.4	14.0	13.8	14.4	-0.4	0.4
FTEs per 100 Adj Discharges	6.9	7.0	7.1	7.2	7.0	0.2	-0.2
Overhead Expense w/ fringe, as a % of Total Operating Exp	20.6%	20.0%	20.1%	20.1%	20.1%	0.1%	0.0%
FTEs Per Adjusted Occupied Bed	5.3	5.1	5.3	5.4	5.3	0.2	-0.1
Cost							
Cost per Adjusted Admission	10,679	11,085	11,245	11,522	10,894	160	(351)
Salary & Benefits per FTE - Non-MD	77,646	81,270	80,032	80,779	79,327	(1,237)	(706)
Compensation Ratio	63.9%	63.4%	63.3%	63.4%	63.2%	0.0%	-0.1%
Capital Cost % of Total Expense	6.6%	6.3%	6.1%	6.0%	6.0%	-0.2%	-0.1%
Liquidity							
Current Ratio	3.4	3.1	3.8	3.4	3.7	0.7	(0.1)
Days Cash on Hand	106.3	119.8	131.0	129.0	129.4	11.2	(1.6)
Cash to Long Term Debt	2.0	2.6	3.1	3.0	3.3	0.4	0.3
Payer							
DSH % of Total NPR	1.3%	1.3%	1.3%	1.8%	1.8%	0.0%	0.5%
Medicaid % of Total NPR (incl. DSH)	16.6%	16.7%	17.1%	16.4%	16.3%	0.4%	-0.8%
Medicare % of Total NPR (incl. DSH)	31.8%	33.7%	31.9%	34.7%	34.3%	-1.8%	2.5%
Commercial % of Total NPR (incl. DSH)	50.3%	48.3%	49.8%	47.1%	47.5%	1.4%	-2.2%
Employed							
Non-MD FTEs	1,054.2	1,050.3	1,094.8	1,117.6	1,150.5	44.5	55.7
Physician FTEs	73.8	76.3	79.1	81.7	85.7	2.8	6.6
Travelers	9.3	7.5	1.1	10.5	-	(6.4)	(1.1)
Outpatient							
All Outpatient Visits	318,507	379,040	363,773	394,412	420,303	(15,267)	56,530
Operating Room Procedure	2,991	2,832	3,338	2,696	3,071	506	(267)
Observation Units	1,858	1,517	1,772	1,296	1,453	255	(319)

See UVMMC's analysis for questions related to CVMC.

Central Vermont Medical Center

PROFIT & LOSS STATEMENT

	2014A	2015B	2015P	2016B	2015B-2016B	2016B
REVENUES						
INPATIENT	\$69,706,991	\$71,702,930	\$80,058,567	\$77,598,744	\$5,895,814	8.2%
OUTPATIENT	\$214,572,525	\$232,831,166	\$232,405,129	\$252,765,055	\$19,933,889	8.6%
PHYSICIAN	\$0	\$0	\$0	\$0	\$0	0.0%
CHRONIC REHAB	\$0	\$0	\$0	\$0	\$0	0.0%
SNF/ECF	\$16,725,958	\$17,793,750	\$16,320,337	\$18,678,980	\$885,230	5.0%
SWING BEDS	\$0	\$0	\$0	\$0	\$0	0.0%
GROSS PATIENT CARE REVENUE	\$301,005,474	\$322,327,846	\$328,784,033	\$349,042,779	\$26,714,933	8.3%
DISPROPORTIONATE SHARE PAYMENTS	\$2,057,789	\$2,113,868	\$3,116,279	\$3,113,501	\$999,633	47.3%
BAD DEBT	-\$6,081,997	-\$6,572,279	-\$4,714,057	-\$6,270,000	\$302,279	4.6%
FREE CARE	-\$2,754,623	-\$4,162,040	-\$3,797,055	-\$3,883,000	\$279,040	6.7%
GRADUATE MEDICAL EDUCATION	\$0	\$0	\$0	\$0	\$0	0.0%
DEDUCTIONS FROM REVENUE	-\$132,872,883	-\$147,485,551	-\$152,218,907	-\$168,006,994	-\$20,521,443	-13.9%
NET PATIENT CARE REVENUE	\$161,353,760	\$166,221,844	\$171,170,293	\$173,996,286	\$7,774,442	4.7%
OTHER OPERATING REVENUE	\$10,818,672	\$11,186,949	\$11,165,343	\$11,630,699	\$443,750	4.0%
TOTAL OPERATING REVENUE	\$172,172,432	\$177,408,793	\$182,335,636	\$185,626,985	\$8,218,192	4.6%
OPERATING EXPENSE						
TOTAL OPERATING EXPENSE	167,297,972	172,223,604	177,638,022	180,331,539	\$8,107,935	4.7%
NET OPERATING SURPLUS (LOSS)	\$4,874,460	\$5,185,189	\$4,697,614	\$5,295,446	\$110,257	2.1%
NON-OPERATING REVENUE	\$3,747,329	\$1,523,130	\$2,043,136	\$1,850,334	\$327,204	21.5%
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$8,621,789	\$6,708,319	\$6,740,750	\$7,145,780	\$437,461	6.5%

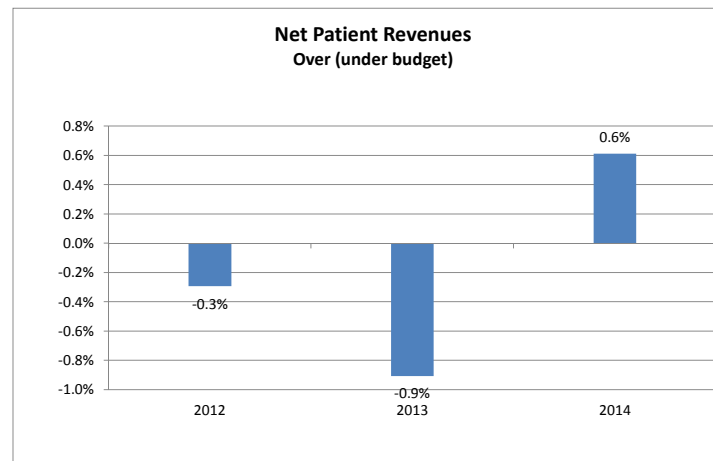
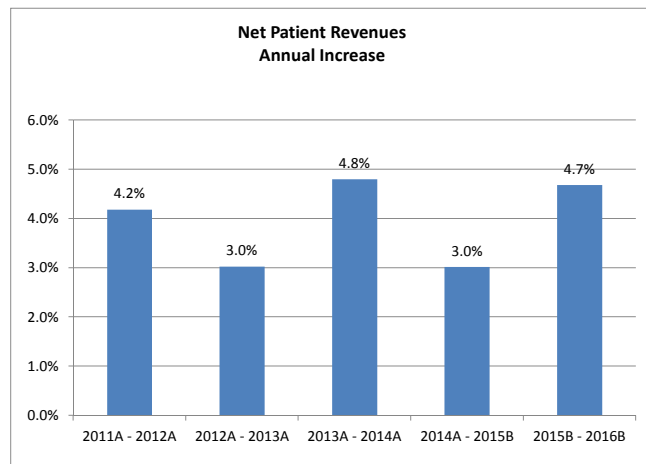
Physician revenue activity is included in the Outpatient revenue line. GMCB staff are working with hospitals to consistently align and report the information.

Favorable changes in bad debt and free care will be discussed.

\$4.7 million of Other operating revenue is 340 B program (pharmacy). Meaningful use funds are phasing out.

Higher expenses are driven by wage increases (2.4%), 56 new FTEs, non-salary expenses, provider tax, and depreciation.

Operating surplus in 2016 trending at 2015 level.



Central Vermont Medical Center

NET PATIENT REVENUE PAYER MIX

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - Hospital	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 2,113,868	\$ 3,113,501	\$ 999,633
Medicaid	\$ 22,885,680	\$ 22,280,630	\$ (605,050)
Medicare	\$ 43,613,368	\$ 49,000,426	\$ 5,387,058
Commercial/self pay/Wcomp	\$ 70,368,503	\$ 70,009,574	\$ (358,929)
TOTAL	\$ 138,981,419	\$ 144,404,131	\$ 5,422,712

Net Patient Revenue - Physician	Bud 15 Total	Bud 16 Total	Change
Disproportionate share			\$ -
Medicaid	\$ 5,514,777	\$ 6,132,534	\$ 617,757
Medicare	\$ 9,360,734	\$ 10,761,014	\$ 1,400,280
Commercial/self pay/Wcomp	\$ 12,364,914	\$ 12,698,607	\$ 333,693
TOTAL	\$ 27,240,425	\$ 29,592,155	\$ 2,351,730

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 2,113,868	\$ 3,113,501	\$ 999,633
Medicaid	\$ 28,400,457	\$ 28,413,164	\$ 12,707
Medicare	\$ 52,974,102	\$ 59,761,440	\$ 6,787,338
Commercial/self pay/Wcomp	\$ 82,733,417	\$ 82,708,181	\$ (25,236)
TOTAL	\$ 166,221,844	\$ 173,996,286	\$ 7,774,442

This schedule breaks out the net patient revenue changes between hospital and physician services.

You will note that the B15-B16 changes by payer may very well differ significantly when examining hospital vs. physician. This is because price changes, reimbursement, and utilization will differ for those services.

Our analysis finds a significant increase in Medicare NPR. This is shifting from Commercial/self pay revenue. CVMC will explain this increase.

The disproportionate share change has been verified and an increase will have a favorable effect on rate.

Central Vermont Medical Center
NET PATIENT REVENUE PAYER MIX

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change	% Change
UVM MV	\$ 1,087,767,762	\$ 1,126,774,924	\$ 39,007,162	3.6%
CVMC	\$ 166,221,844	\$ 173,996,286	\$ 7,774,442	4.7%
Combined	\$ 1,253,989,606	\$ 1,300,771,210	\$ 46,781,604	3.7%

Detail for Net Patient Revenue increase

	UVM	CVMC	Combined	% Share
in millions				
Rate Increase	\$ 25.3	\$ 4.6	\$ 29.9	2.4%
Physician Practice Transfers	\$ -	\$ 2.2	\$ 2.2	0.2%
Bad Debt/Free Care Improvement	\$ 13.6	\$ 1.5	\$ 15.1	1.2%
Disproportionate Share Loss	\$ 0.6	\$ 1.0	\$ 1.6	0.1%
Utilization Gain/Loss	\$ 6.6	\$ (1.3)	\$ 5.3	0.4%
Health Care Reform Investments	\$ 6.4	\$ 1.7	\$ 8.1	0.6%
Other Change	\$ (13.5)	\$ (2.0)	\$ (15.5)	-1.2%
TOTAL	\$ 39.0	\$ 7.8	\$ 46.8	3.7%

This schedule presents a summary of the net patient revenue change for CVMC and UVMC.

We are showing the combined effect of the changes since much of the network's internal management is organized in that manner.

The overall 2016 budget shows a 3.0% increase over the 2015 budget after adjusting for the health care investments and the physician transfers at CVMC.

RATE TREND AND SOURCE OF REVENUES

	Budget 2013 Approved	Budget 2014 Approved	Budget 2015 Approved	Budget 2016 Submitted	Average Annual 2013-2015
Central Vermont Medical Center	5.0%	6.9%	5.9%	4.7%	5.9%
Weighted Average All Hospitals				4.3%	

Commercial Payer	Self Pay/Other	Medicaid	Medicare	
\$ 3,574,412	\$ 352,630	\$ 122,976	\$ 565,977	

Commercial Payer	Self Pay/Other	Medicaid	Medicare	DSH
\$ (5,694,465)	\$ (371,385)	\$ (455,266)	\$ 5,239,502	\$ -
\$ 806,461	\$ 93,069	\$ 344,882	\$ 981,746	\$ -
\$ 1,212,000	\$ -	\$ -	\$ -	\$ -
\$ 302,277	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 999,633
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ (3,373,727)	\$ (578,316)	\$ (110,384)	\$ 6,221,248	\$ 999,633
\$ 200,685	\$ (225,686)	\$ 12,592	\$ 6,787,225	\$ 999,633

NPR increase not related to price include the physician transfers, free care and bad debt, and disproportionate share. Utilization shows reductions with all payers shifting towards Medicare. This will be explained at the hearing.

Central Vermont Medical Center
UTILIZATION & STAFFING

	2012A	2013A	2014A	2015B	2015P	2016B	B15-B16 Change
Utilization							
ADJUSTED ADMISSIONS	14,938	15,231	15,092	15,316	15,417	16,553	8.1%
ACUTE ADMISSIONS	3,128	3,323	3,495	3,407	3,754	3,680	8.0%
AVERAGE LENGTH OF STAY	5.0	4.8	4.9	4.9	4.9	4.8	-1.7%
OUTPATIENT OPERATING ROOM PROCEDURES	3,290	2,991	2,832	3,338	2,696	3,071	-8.0%
LABORATORY TESTS	508,557	488,027	483,724	484,930	486,420	489,619	1.0%
EMERGENCY ROOM VISITS	28,953	28,390	26,119	21,020	24,046	23,500	11.8%
RADIOLOGY-DIAGNOSTIC & CT SCANS	49,891	48,846	48,275	47,923	52,264	50,557	5.5%
MRIs	3,070	2,971	2,979	2,961	3,342	3,192	7.8%
PHYSICIAN OFFICE VISITS	146,756	155,331	180,895	202,029	193,696	219,587	8.7%
CLINIC VISITS	-	-	-	-	-	-	0.0%

Staffing							
-----------------	--	--	--	--	--	--	--

NON-MD FTE	1,012	1,054	1,050	1,095	1,118	1,151	55.7
TRAVELERS	0.5	9.3	7.5	1.1	10.5	-	-1.1
RESIDENTS & FELLOWS	-	-	-	-	-	-	0.0
MLPs	-	-	-	-	-	-	0.0
PHYSICIAN FTEs	73.3	73.8	76.3	79.1	81.7	85.7	6.6
TOTAL MD AND NON MD FTES	1,086.3	1,137.2	1,134.1	1,175.0	1,209.8	1,236.2	61.3
SALARY PER FTE - NON-MD	55,410	57,186	59,759	59,113	60,988	60,517	2.4%
SALARY & BENEFIT PER FTE - NON-MD	77,203	77,646	81,270	80,032	80,779	79,327	-0.9%
FTES PER ADJUSTED OCCUPIED BED	4.9	5.3	5.1	5.3	5.4	5.3	-1.1%
FTES PER 100 ADJUSTED DISCHARGES	6.8	6.9	7.0	7.1	7.2	7.0	-2.8%

Budgeted 2016 utilization (adjusted admissions) shows an increase from 2015 budget levels.

There is a significant increase in acute admissions and physician office visits. However, operating room procedures are expected to be lower. They have been asked to explain these changes.

Non MD staffing is increasing by 56, which are related to enhanced programs and to meet increased utilization.

6.6 new physicians will be recruited since Budget 15 was approved.

Central Vermont Medical Center
BALANCE SHEET & INDICATORS

	2014A	2015B	2015P	2016B
Cash & Investments	\$7,294,723	\$12,974,991	\$14,513,564	\$14,513,564
Total Current Assets	\$29,337,527	\$36,911,603	\$36,300,996	\$36,888,564
Total Board Designated Assets	\$44,515,863	\$45,500,000	\$44,877,949	\$45,900,000
Total Net, Property, Plant And Equipment	\$70,070,774	\$74,540,172	\$74,540,172	\$77,613,696
Other Long-Term Assets	\$11,811,472	\$10,050,000	\$10,291,825	\$11,950,000
Total Assets	\$155,735,636	\$167,001,775	\$166,010,942	\$172,352,260
Total Current Liabilities	\$23,693,942	\$21,485,961	\$23,803,998	\$22,163,156
Long-Term Debt	\$19,804,173	\$19,143,555	\$19,700,652	\$18,167,000
Other Noncurrent Liabilities	\$24,819,602	\$35,000,000	\$25,071,699	\$33,000,000
Total Fund Balance	\$87,417,919	\$91,372,259	\$97,434,593	\$99,022,104
Total Liabilities and Equities	\$155,735,636	\$167,001,775	\$166,010,942	\$172,352,260

The hospital's overall balance sheet shows a continued improvement in net assets (fund balance).

Debt is trending lower and cash and Board Designated Assets are budgeted to improve.

Hospital				
Net Increase/Decrease in Cash	\$ 1,363,365	\$ 1,474,991	\$ 7,218,841	\$ 1,538,573
Days Cash on Hand	120	131	129	129
Cash to Long Term Debt	2.6	3.1	3.0	3.3
Long Term Debt to Capitalization	18.5%	17.3%	16.8%	15.5%
Debt Service Coverage Ratio	4.1	3.8	4.2	4.6

CVMC's cash is expected to improve in Budget 2016. Debt indicators also show improvement in the next year.

Cash on hand is lower than the system average but are at the median of their peers.

Debt measures are improving and the debt position is favorable compared to the system.

System Average				
Net Increase/Decrease in Cash	\$ 54,485,472	\$ 74,776,400	\$ 21,398,061	\$ (11,067,200)
Days Cash on Hand	176	181	185	180
Cash to Long Term Debt	1.9	1.6	1.7	1.7
Long Term Debt to Capitalization	29.6%	32.3%	32.6%	31.3%
Debt Service Coverage Ratio	3.3	3.1	2.9	2.8

Central Vermont Medical Center
CAPITAL BUDGET

	2014 Actuals	2015 Budget Approved	2015 Projection	2016 Budget	2017 Plan	2018 Plan	2019 Plan
Non-Certificate of Need Capital Purchases	\$5,693,801	\$10,400,000	\$10,400,000	\$13,000,000	\$11,000,000	\$11,500,000	\$11,500,000
Certificate of Need Capital Plans		\$0	\$0	\$0	\$0	\$0	\$0
Total Capital Purchases	\$5,693,801	\$10,400,000	\$10,400,000	\$13,000,000	\$11,000,000	\$11,500,000	\$11,500,000

Hospital

Age of Plant (years)	9.0	10.0	9.7	10.4	helps understand the status of all fixed assets		
Capital Expenditures to Depreciation	60.7%	111.9%	107.8%	131.0%	helps to understand current level of capital spend		
Capital Cost % of Budget	6.3%	6.1%	6.0%	6.0%	helps understand relative share of depr & interest		

System Average

Age of Plant (years)	10.2	10.9	11.0	11.9
Capital Expenditures to Depreciation	80.6%	122.4%	131.0%	95.1%
Capital Cost % of Budget	5.9%	6.0%	5.9%	5.8%

Age of plant is increasing in Bud 16 but continues to compare favorably with the Vermont hospital system.

CVMC spending is increasing after a slower year in 2014 - capital cost % of budget remains higher than the system average.

Non CON capital items include building and building improvements for Waterbury Express Care, Med/Surg Bed Reconfiguration, a Urology Practice and Diagnostic Imaging Renovation. There are no tentative CON plans reported.

	2016 Budget	2017 Plan	2018 Plan	2019 Plan
Non Certificate of Need Detail				
Construction in Progress (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Land & Land Improvements (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Buildings & Building Improvements (Non-CON >\$500K)	\$2,425,000	\$1,200,000	\$0	\$0
Total Fixed Equipment (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Major Movable Equipment (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Other Non CON Items under \$500,000	\$10,575,000	\$ 9,800,000	\$ 11,500,000	\$ 11,500,000
Total Non-Certificate of Need Capital Purchases	\$ 13,000,000	\$ 11,000,000	\$ 11,500,000	\$ 11,500,000

Certificate of Need Plans

Certificate of Need Proposals	\$	-	\$	-	\$	-	\$	-
-------------------------------	----	---	----	---	----	---	----	---